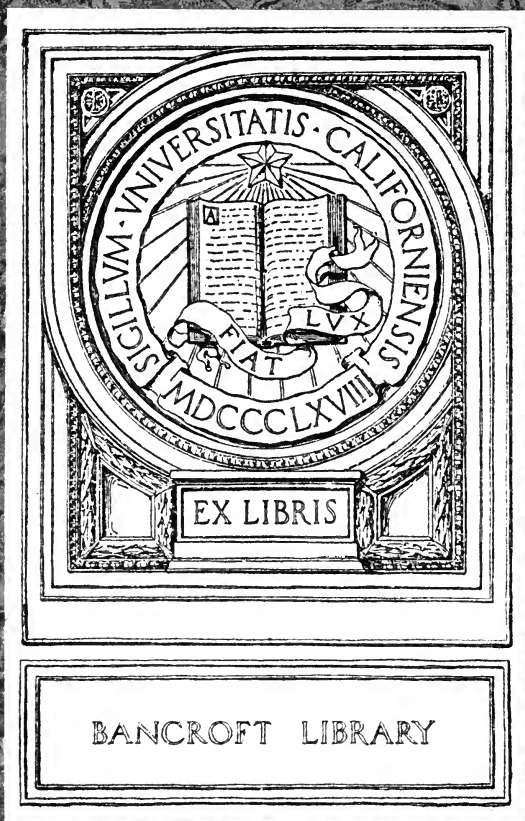


*Piper.
Speech in the House.*

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1876.



IMPOLICY OF GOVERNMENT SUBSIDIES
TO RAILROADS.

S P E E C H

OF

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HON. WILLIAM A. PIPER, 1826-99

OF CALIFORNIA, *no*

IN THE

HOUSE OF REPRESENTATIVES,

APRIL 8, 1876.



WASHINGTON.

1876.

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SPEECH
OF
HON. WILLIAM A. PIPER.

The House being as in Committee of the Whole for debate only—

Mr. PIPER said :

Mr. SPEAKER: I avail myself of the present opportunity to address you on a subject of great importance not only to the people of the Pacific States, but to the people of the whole United States. I mean the subject of subsidies, either of lands or money, granted by Government to railroad corporations.

In making these remarks I shall be obliged to oppose the arguments heretofore advanced in this body; but trusting to the inherent strength of my positions, I have no fear that I shall fail in proving that the projects of subsidies, either of money or lands, in aid of internal improvements, now pressed upon the attention of the House with so much perseverance, are, from the greatest to the least, unwise and improvident, will not produce a tithe of the benefits promised by their advocates, and will as heretofore promote the interests of the corporators, and not those of the people.

I shall endeavor not to comment unjustly on any individual or corporation, but at the same time I shall censure as severely as they deserve the various plausible schemes of internal improvement which have had for their object the advancement of the interests of the projectors, and not the interests of the community at large.

Naturally the first question that arises in the discussion of this subject is the power of Congress to grant pecuniary aid to private individuals or corporations in building railroads and canals. And here let me remark that, in all the arguments now advanced by the advocates of this power, the instances of its discussion are taken only from the periods between 1806 and 1827 and from 1862 to the present time, leaving an interval of thirty-five years during which the subject was discussed in Congress with great ability by the most prominent statesmen; and, as far as any point of constitutional law could be considered as settled, the general opinion of the people in 1860 was adverse to the appropriation of money by Congress in aid of internal improvements.

The principle upon which the early measures making grants of lands alone was based is entirely different from that lying at the foundation of the innumerable subsidy bills passed within the last fifteen years, commencing with the great act of 1862, which granted 35,000,000 acres of land and \$65,000,000 in bonds to the Pacific railroads. There is, I repeat, a great and very perceptible difference between the early measures and the audacious projects approved by Congress in 1862 and since as well as the colossal plans that are now being advocated.

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At the present time it would hardly be profitable to criticise the action of the Government previous to 1862; but while admitting that Congress did not violently transgress any constitutional provision in granting lands in aid of roads and canals, I hold that these precedents by no means justify the extravagant theory that the power to provide for the common defense and promote the general welfare authorizes the Government to appropriate money in lavish profusion in aid of various enterprises which by some possibility may benefit the people, but at an expenditure double the amount necessary and out of all proportion in comparison with the advantages conferred. As for myself, I adhere to the old-fashioned, but as I believe correct, doctrine that Congress is limited in its powers but supreme within its sphere of action, and that it possesses no powers except those expressly granted by the Constitution or to be derived by necessary implication from that instrument.

In these days of liberal and free construction, our hopes of prosperity can only be realized by returning to the old methods of thought and to that reverence for the Constitution which it is now the common practice to ridicule and deride.

My adversaries in opposition to the preceding views may cite the recent opinion of the Supreme Court in *United States vs. The Union Pacific Railroad Company*, but that opinion confesses that the traditional policy of the country was opposed to works of internal improvement built by or under the authority of the General Government, and justifies the incorporation and subsidizing of the Pacific railroads by a variety of insufficient considerations, but really on the ground that, the public mind being impressed with the necessity, demanded the construction of these thoroughfares without a regard to the particular means to be employed, and the court virtually holds that under the circumstances a departure from the strict provisions of the Constitution was excusable. But the court, in so many words, also holds that the United States Government has no constitutional power to incorporate companies to advance private interests and to agree to aid them on account of supposed incidental advantages which would accrue to the public from the completion of the enterprises.

In the incorporation of the Pacific railroads Congress is supposed to have acted, not for the benefit of private persons nor in their interests, but for an object deemed essential to the security of the country as well as its prosperity. On this point, however, Congress and the people were wickedly misled; and in my remarks I shall, as I think, clearly prove that all subsidized railroads are virtually incorporated for the benefit of private persons and to advance private interests, and that therefore, under the recent decision of the Supreme Court, Congress has no constitutional power to aid such projects on account of the supposed incidental advantages which may or may not accrue to the public. In proof of this position I have only to give a succinct history of the operations of the Pacific railroads, drawing my materials chiefly from printed public documents, but supplementing this with a truthful account of the burdens under which the people of the Pacific coast are groaning by reason of the oppressions of these mammoth corporations.

The operations of these various railroad companies are based upon the act of Congress of July 1, 1862, (Statutes at Large, volume 12, page 489,) and its various supplements. This act incorporated the Union Pacific Railroad Company, with enormous grants of land and money, and admitted to similar privileges the Central Pacific of California, the Leavenworth, Pawnee and Western of Kansas, the Pacific

Railroad of Missouri, and the Hannibal and Saint Joseph of Missouri. The right of way through the public lands, two hundred feet in width on each side of the track, was granted, together with the grounds for depots and shops, and the right to take from the adjacent public lands timber, stone, and other materials for the construction of the road. There were also granted five alternate sections of land per mile on each side of said railroads within the limits of ten miles; all mineral lands, with the exception of the timber thereon, being excepted.

The Secretary of the Treasury was authorized to issue to said companies United States bonds at the rate of \$16,000 per mile, it being provided that the issue of said bonds and their delivery to the companies should constitute a first mortgage on the roads and their equipments. It was also provided that all compensation for services rendered for the Government should be applied to the payment of said bonds and interest, and that at least 5 per cent. of the net earnings should be annually set aside as a sinking fund.

All lands within fifteen miles of any designated route were ordered to be withdrawn from pre-emption, private entry, and sale after a map of the line had been filed in the Interior Department.

Upon the mountainous portions of the road a bond subsidy was granted of \$32,000 a mile and \$42,000 a mile, according to the difficulties of construction, and 25 per cent. and on the mountain section 15 per cent. of the bonds were ordered to be reserved out of each installment to secure the construction of the roads.

To minds of ordinary intelligence these munificent grants would seem sufficiently liberal, but the terms were not satisfactory to the greedy speculators, and another act of Congress, that of July 2, 1864, was passed by which other and more immense privileges were granted to these companies. The number of sections of land granted was increased from five to ten per mile on each side, the selection was allowed to be made within twenty miles of the line, and all the lands within twenty-five miles were directed to be withdrawn from pre-emption and sale. The term "mineral lands" was construed so as to exempt from reservation all coal and iron lands, and thus the companies were enabled to secure a monopoly of these valuable products, more valuable than those of the precious metals. The full amount of the subsidy bonds, without any reserved percentage, was ordered to be paid, and only one-half of the compensation for services was required to be applied to the payment of the interest. The companies were also authorized to issue first-mortgage bonds equal in amount to the subsidy bonds, which were made subordinate to the company bonds; and by a subsequent act company bonds were allowed to be issued one hundred miles in advance of the completed road.

Such were the general provisions of the Pacific Railroad acts in 1864; and the various companies mentioned in the early act of 1862 having by 1867 gradually become absorbed and merged in the two great corporations, the Union and the Central Pacific Railroads, let us now briefly examine their financial operations.

UNION PACIFIC RAILROAD.

And, first, as to the "Union Pacific." From a series of developments within the last few years, it would seem to be conclusively proved that the stockholders and directors of this company formed a combination for the purpose of defrauding the Government and the people. When the road was declared by the Government to be completed—that is, on October 1, 1874—it had cost \$115,214,588, or \$111,000 a mile on a length of ten hundred and thirty-eight miles.

According to the reports of the company, the whole line of the road is a very favorable one, the soil on the greater part of it forming an admirable road-bed. More than one-half of the route is practically level, while the Rocky Mountains do not present obstacles so formidable as those offered by the Alleghany ranges to the railroads crossing them, and an elevated table-land extends for four hundred miles, from the eastern to the western crest.

The highest cost of construction of these Atlantic roads, including land damages, is placed much below \$50,000 a mile; but taking this sum as a fair estimate, the Union Pacific road should have been built for \$52,000,000.

The company has as yet never published an exhibit in detail of its expenditures and liabilities, but from accessible information the account may be stated as follows:

First-mortgage bonds	\$27,237,000
Land-grant bonds	10,400,000
Omaha-bridge bonds	2,500,000
Sinking-fund bonds	16,000,000
Capital stock, (paid up)	36,762,300
Total bonds and stock	92,599,300
United States subsidy bonds	27,236,512
Total	120,135,812
Estimated cost of road	52,000,000
Difference	68,135,812

What, then, has become of this difference of over \$68,000,000 between the money passing through the hands of the directors of the Union Pacific and the estimated reasonable cost of constructing the road? The answer is found in the history of the Credit Mobilier of America, to be read of not only in the Pennsylvania law reports but also in the congressional records. The infamous character of its transactions is sufficiently well known to the public without any attempt on my part to enter into details; it is enough to say that through the interposition of this shadowy corporation the directors and stockholders of the Union Pacific distributed among themselves an immense sum of money for which no actual service was rendered.

Starting in 1864 with a cash capital of \$25,000, the Credit Mobilier built forty miles of the Union Pacific in 1865 and 1866, and then from the subsidy bonds received reported in 1867 a paid-up capital stock of \$3,750,000. On this capital during seven months' operations it declared dividends in cash and bonds amounting to \$7,237,500, or nearly 200 per cent. on their fictitious capital.

Again, the report of the special committee of the Forty-second Congress on the Pacific Railroads, presented March 1, 1873, also throws great light upon the collusive proceedings of the directors of the Union Pacific, who were the managers of the Credit Mobilier. From that investigation it appears that the Credit Mobilier represented the cost of constructing eleven hundred miles of road to be \$78,945,012, or an average of \$71,768 per mile. The railroad company, however, paid \$94,646,288 in stock and bonds under the contracts with Hoxie, Ames, and Davis, guaranteed by the Credit Mobilier; and these contractors actually expended only \$50,720,959, leaving a profit in stock and bonds of \$43,925,329, which, reduced to cash, produced at least \$23,000,000.

This brief account is sufficient to show that the schemes of the audacious projectors of the Union Pacific were conceived in rascality and carried out in fraud. And while thus coining money by the

mere exercise of their wits in consequence of the improvident bounty of the Government, the directors of the Union Pacific conceived the happy idea of refusing to pay the interest on the Government subsidy bonds until the principal became due at the end of thirty years. By this miraculous conception the Government will actually be obliged to pay on these bonds, principal and compound interest, \$164,964,887, while the company will only pay, principal and simple interest, \$78,400,000, and thus the Government will suffer an actual loss of \$86,564,887. But this outrage on decency I shall leave for the present, intending to comment upon it more at length toward the close of my remarks. The directors also refused to set aside 5 per cent. of the net earnings as a sinking fund and are contesting the point in court, but at the same time they profess a disposition to carry out any plan that will do justice to the company and to the Government; they being the judges of the justness of the plan.

By the report of the company for 1875 it appears that the profits are being applied to the redemption of the land-grant bonds of which \$10,400,000 were issued; of these \$2,768,000 have already been actually canceled, and \$3,072,502 are protected by land-notes, leaving \$4,619,498 to be provided for by future sales. It is therefore evident that the directors are rapidly paying off the bonds supposed to be owned by themselves at the expense of the General Government.

Does any man believe that the members of the Thirty-seventh Congress would have voted for the Union Pacific act of July 1, 1862, had they for a moment supposed that such monstrous evasions would have been attempted? Common sense and common honesty are the only requisites for the construction of the statute, and yet these cunning monopolists with unblushing effrontery excuse their dishonest maneuvers under the plea that they have been nearly ruined in endeavoring to benefit the country, when in reality not a cent of tangible wealth was invested in the enterprise. The comparatively small amount of money raised was employed in floating the concern, and the remaining funds were procured at the expense of a deluded people.

So much for the Union Pacific, remarking that the provisions of the acts of 1862 and 1864 in reference to subsidies and land grants are substantially applicable to all the roads constructed by Government aid in the Territories and in the Pacific States, and also remarking that by the acts incorporating the Northern Pacific, the Central Pacific, (Oregon branch,) the California and Oregon, the Atlantic and Pacific, the Southern Pacific, and the Texas Pacific, the grants of land were extended to twenty, thirty, and forty alternate sections per mile of public lands in the States, and forty, fifty, and sixty sections per mile in the Territories.

CENTRAL PACIFIC RAILROAD.

I shall now turn my attention to the Central Pacific Railroad, and under this head I include also the Southern Pacific, the California and Oregon, the Western Pacific, and several other smaller roads, all under the control of the Central Pacific, that giant corporation which rules the Pacific coast with a rod of iron.

The Central Pacific Railroad of California was incorporated June 27, 1861, under the general railroad law of California, to construct a road to the eastern boundary of the State. The act of Congress of July 1, 1862, (Public Laws, volume 12, page 490,) incorporating the Union Pacific, authorized the Central Pacific of California to construct a railroad and telegraph line from the Pacific coast, at or near San Francisco or the navigable waters of the Sacramento River, to the

eastern boundary of California, upon the same terms and conditions in all respects as the Union Pacific.

The act of Congress of July 2, 1864, already mentioned in my remarks on the Union Pacific, granted to the Central Pacific other valuable franchises. In addition to an enlarged grant of lands and the release of certain conditions, Congress authorized the Central Pacific to continue the construction of the road through the Territories and States intervening to the Missouri River. And here let me remark in passing that these two words "States intervening," quietly inserted in the act of 1864, contain a most dangerous innovation, and to my mind grossly violate the constitutional privileges of the States. That by the insertion of two words, or seventeen letters, in an act of Congress, the whole current of decisions during seventy-seven years should be turned aside, is only another instance of the insidious attacks of these monopolists on all law and all constitutional construction.

The Central Pacific Railroad of California in 1870 became consolidated with the Western Pacific, the San Joaquin Valley, and the San Francisco, Oakland and Alameda Railroad Companies under the name of the Central Pacific Railroad.

With a desire to own every pass and natural avenue to the Pacific, the directors, by well-known means, also secured control of the Southern Pacific Railroad Company, a corporation formed October 11, 1870, by the consolidation of the San Francisco and San José, the Southern Pacific of California, the Santa Clara and Pajaró Valley, and the California Railroad Companies. The Southern Pacific Railroad of California should not be confounded with the Southern Pacific Railroad of Texas, a corporation of which a great deal has been said.

In my remarks in connection with the just-mentioned railroads I shall expose the operations of a ring of California speculators, who since 1861 have been engaged in plundering the people of the United States and in oppressing the citizens of the Pacific coast.

The schemes of these men to secure immense profits in the construction of roads to the Pacific were similar to those of the Credit Mobilier of America; but as no real investigation of their conduct has ever been made either in the courts or in Congress, the precise particulars of their projects can only be conjectured. This fact, however, is certain, that five of the confederates having resolved to cheat one of their innocent and honest stockholders, he was obliged, June 21, 1870, to commence a suit to protect his rights; and the disclosures in his complaint at once aroused the attention of the people of California to the serious dangers threatened by the plots of the autocrats who were resolved to rule or ruin the State. Although the suit was never brought to a hearing, yet the facts alleged were so strongly supported by affidavits of respectable persons and were so convincingly presented, that the defendants at once admitted the truth of the charges by compromising the case.

Under these circumstances the account given by Samuel Brannan, the plaintiff in this suit, may be considered as substantially true. He asserts that C. P. Huntington, Leland Stanford, Mark Hopkins, Charles Crocker, E. B. Crocker, and others, being a majority of the directors of the Central Pacific, formed themselves into a company styled the Contract and Finance Company, for the purpose of taking contracts for the construction of the road at rates largely in excess of the sum at which the work could have been let out to responsible parties. The said directors then entered into a contract with themselves, as members of this fictitious corporation, for the construction of the Central Pacific, and transferred to the Contract and Finance

Company the entire subsidies of land, money, and bonds granted by the United States, the States of California and Nevada, and various municipal corporations of California in aid of the enterprise. They also granted to Wells, Fargo & Co. the exclusive right of running express trains for the transportation of freight, packages, and bullion over the Central Pacific, and received as pay for the concession stock in that company. They also bought up the stock of competing railroads, and, receiving the subsidy bonds from the United States, appropriated to themselves the profits of said roads. By means of fraudulent devices, they so managed their operations, principally through the Contract and Finance Company, as to earn immense profits, recklessly increasing the cost of building the Central Pacific to double or treble the amount necessary.

In order to obtain these immense grants of land and money, and to procure the re-organization of the competing railroads purchased by them, and to secure their re-election as officers thereof, they expended vast sums of money in lobbying, and in carrying out their schemes generally they rode rough-shod over the people of the Pacific coast, using every conceivable mode of oppression. These grave charges are substantially confirmed by the reluctant testimony of Richard Franchot and C.P. Huntington, given in the early part of 1873 before the special committee of this House appointed to investigate the operations of the Central Pacific.

As all the records and books of the company were in Sacramento, and as most of the persons concerned in the construction of the road lived in California, the committee were unable to make a complete investigation before the Forty-second Congress expired; but they examined the two witnesses just mentioned, who seemed to have lost their memories and were bright and shining specimens of the "don't recollect" class.

Richard Franchot, the lobbyist, testified that he was employed in watching over the interests of the Central Pacific at Washington and other places, subject to the call of the president of the road; but he would not specify any one act of the services he performed at a salary of \$20,000 per annum.

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Huntington, the vice-president of the road, in his examination, with crafty obtuseness forgot the particulars of his numerous transactions, limited all his answers by the vague phrase "I am under the impression," professed ignorance on every point on which he was questioned, and had no distinct recollection of any one thing. Persistently pursued in all his windings through a maze of evasions, when at last brought to bay he admitted that persons active in the management of the Central Pacific had received considerable values as profits on contracts for its construction; he also admitted that the practical control of the Central Pacific and of the Contract and Finance Company was in the same parties at the time of the signing of the construction contracts and during their execution.

The same committee reported that the capital of the Central Pacific did not represent cash, but profits on construction, and that the property of the road had passed largely into the hands of its own officers, who made contracts in the company name with themselves.

During the present session of Congress similar damaging charges have again been made against Mr. Huntington and his associates, and instead of demanding a thorough investigation of his conduct, throwing open the books of his company for examination, he maintains an impenetrable silence, and will not answer the simplest question, however remote, lest by any possibility it may give a clew to his mys-

terious course. In his recent argument and examination before the House Committee on Pacific Railroads he could not give the name of any one of the officers or directors of the Contract and Finance Company, or its present successor, the Western Development Company, but relied upon the memory of Judge Brown, who was equally oblivious. And here let me remark that the late contest before the Committee on Railroads to control the southern route to the Pacific has disclosed the secret maneuverings of Huntington and the plans by which he keeps out of the market all the Government lands and compels the settler to buy from his companies at exorbitant rates.

COST OF THE CENTRAL PACIFIC RAILROAD.

I have already given a statement of the condition of the Union Pacific, and I shall now present a similar statement in regard to the Central Pacific, taken from their annual report for the year 1874, the latest source of information :

First-mortgage bonds	\$25, 883, 000
Convertible mortgage	1, 483, 000
Land-grant bonds	9, 049, 000
Western Pacific bonds	2, 735, 000
California and Oregon bonds	6, 000, 000
Central Pacific, (C. and O. division)	1, 291, 000
San Joaquin Valley bonds	6, 080, 000
San Francisco and Oakland	500, 000
State-aid bonds	1, 500, 000
Capital stock, (paid in)	54, 275, 500
Total bonds and stock	108, 796, 500
United States subsidy bonds	27, 855, 680
Grand total	136, 652, 180

The actual cost of the road and equipments is placed at \$140,803,789.

The company claims that under the grant of 12,800 acres per mile for 1,033 miles of road it is entitled to at least 11,722,400 acres, worth at the minimum price \$29,543,000, and says that these are its most valuable assets. It owns in addition the undivided half of 60 acres in Mission Bay, San Francisco, 500 acres water-front at Oakland, and 140 acres and the water-front at Sacramento, the estimated value of all which, exclusive of improvements, is \$7,750,000. These valuable assets are therefore worth \$37,293,000.

SOUTHERN PACIFIC RAILROAD.

I shall now turn my attention to the Southern Pacific Railroad. This road is the favorite bantling of Huntington, Stanford, and their associates, and although the former gentleman has nominally withdrawn from the direction and taken the comparatively humble position of purchasing agent in New York, he is the ruling spirit of the combination, and his operations for the last ten years in this connection present striking proofs of the multifarious projects born in his fertile brain.

The Southern Pacific Railroad of California was incorporated November 29, 1865, under the general railroad act of that State. The articles of association provided for the construction of a continuous line from San Francisco through the counties of Santa Clara, Monterey, San Luis Obispo, Santa Barbara, Tulare, Los Angeles, and San Diego, to the town of San Diego; thence eastward to the east line of California, there to connect with a contemplated line from the Mississippi River. Not a single mile of this road had been constructed when on July 27, 1866, an act of Congress incorporating the Atlantic and Pacific Railroad authorized the Southern Pacific of California to

connect therewith, and in aid of its construction made large grants of public lands as well as of the right of way.

On January 3, 1867, this Southern Pacific of California filed in the General Land Office a map of the route which had been selected. But in fact this line was not based upon actual surveys; for the interval of time was too short for the work, and it is believed that Huntington or some one by his direction had drawn a red-pencil line on a map of the State of California and had sent the same to the General Land Office. The line so selected and so filed did not correspond with the chartered line, as it did not touch the counties of San Luis Obispo, Los Angeles, and San Diego, and did not approach the town of San Diego nearer than one hundred and fifty miles. The filing of this spurious survey, however, accomplished the intended object, for it caused the withdrawal and reservation of all the odd-numbered sections of public lands in California on a belt sixty miles wide from San Francisco to the Colorado River, containing an area of 6,000,000 acres. It also enhanced the price of the even-numbered sections to \$2.50 an acre. At this time not a single mile of road had been built, and only \$1,829 had been expended for surveys. The first annual report was filed by Huntington, who transmitted it to Washington from the New York office of the Central Pacific. On being informed of these irregularities on June 14, 1868, Secretary Browning ordered the reserved lands to be restored to the public domain; but Huntington interposed, and in 1869 the order of restoration was suspended to await the action of Congress.

The Legislature of California on April 4, 1870, permitted the Southern Pacific to file new articles of association and validated the change of route and location. Congress also came to the rescue, and by a joint resolution of June 28, 1870, (16 Statutes at Large, 382,) permitted the Southern Pacific to construct its road on the route indicated by the map filed January 3, 1867, and validated the previous irregular proceedings. About this time the Central Pacific, having previously been working in the dark, now came forward openly and bought out the line then actually constructed between San Francisco and San José, and entered into an agreement for the extension of the line to Gilroy. The company then set up a claim to a belt of land lying along the line of this route, and a bitter legal war with the actual settlers ensued.

The land cormorants, however, were not yet satisfied, and on October 11, 1870, the San Francisco and San José, the Southern Pacific of California, the Santa Clara and Pajaró Valley, and the California Railroad were consolidated under the name of the Southern Pacific Railroad Company.

A contract was made with the Contract and Finance Company, and subsequently with the Western Development Company, to construct and equip the whole line of road, for which they were to receive mortgage bonds at the rate of \$40,000 a mile and the balance in capital stock. These immense donations, however, did not come up to the expectations of Huntington, and the act of Congress of March 3, 1871, (Statutes at Large, volume 16, page 579,) was passed, authorizing the Southern Pacific to construct a line from Tehachapa Pass, by way of Los Angeles, to the Texas Pacific Railroad at or near the Colorado River. On April 3, 1871, or within thirty days, a map of the additional line was filed, and the lands on each side of the road withdrawn from private entry. The Southern Pacific has received 11,926,600 acres from the United States, and it is asking for more.

Time fails me to speak of the Northern Pacific, with its domain of

47,000,000 acres; of the Atlantic and Pacific, with 40,000,000 acres, and of the Texas Pacific, with 17,000,000 acres. I shall therefore conclude my remarks with a general exposition of my views of the impolicy of alienating such immense portions of the public domain in favor of these grasping corporations.

IMPOLICY OF ALIENATING IMMENSE PORTIONS OF THE PUBLIC DOMAIN.

In the world's history no such donations of national property were ever made to individuals. No Roman Cæsar ever lavished on a favorite who ministered to his vices and pleasures such imperial gifts as have been lavished upon the few individuals composing these corporations, and that, too, by the representatives of the people of a Republic in which each and every citizen is supposed to be equal and to be equally entitled to the benefits flowing from Government. I suppose it can only be accounted for on the principle of placing stock "where it would do the most good," as was declared by a former member of this House when speaking of the disposition of the Credit-Mobilier stock. It is clearly demonstrable that the laws, both original and supplementary, creating these corporations were enacted simply in the interests of the companies without interposing any safeguards to protect the rights of the people or Government. Surely no man could have voted for these laws unless he was grossly deceived as to their effect, or had other than the public interests in view.

The system of Government subsidies in aid of persons or of corporations is fundamentally vicious, and is as unjust as was the granting of monopolies and franchises by the despotic governments of the Old World before the people had any voice in the management of public affairs, and when they were considered mere chattels.

I am more especially conversant with the workings and the baleful influences of this system through my knowledge of the workings of the Central Pacific Railroad and its adjuncts heretofore spoken of. This great corporation, as I have previously stated, is owned in the main by four men, to wit, Leland Stanford, C. P. Huntington, Mark Hopkins, and Charles Crocker, and these four men also own the controlling interest in the Southern Pacific. I have no reasonable doubt that they own three-fourths of the last-mentioned road. Could any one ever have supposed that in a Republic four citizens could have ever been the recipients of such bountiful gifts from the Government?

It may not be considered exactly chivalric to comment on individuals upon the floor of this House when they have not an opportunity to reply here; but as Huntington, "the lachrymose," before a committee of this Congress complained of the persecutions his companies were undergoing and of the ingratitude of the public, after he and his friends had risked their fortunes in this doubtful enterprise, wasting the best part of their lives in this patriotic work and only receiving a dividend of 13 per cent. upon the capital invested, as a return for their great labors and hazardous risks, I believe I shall be justified in explaining the means they used, and what and how much they risked. I doubt whether these men, all told, were in the aggregate worth more than \$150,000 when they embarked in this railroad enterprise; and now after twelve or thirteen years their aggregate wealth amounts to as many millions as they then possessed thousands. So these "poor" men have been terribly maltreated by the Government!

Now, as to the means they have used to accumulate this colossal sum. About the time they commenced this enterprise they procured the passage of a bill through the Legislature of California submitting to a vote of the people of San Francisco the question whether the

city should issue \$600,000 of bonds for their benefit. When the election took place there was some opposition on the part of the voters, and I was an eye-witness of a humiliating sight. The brother of this Leland Stanford was openly going about the polling-places scattering gold and silver to influence and buy votes for this municipal subsidy. This is the way in which they have succeeded in drawing these vast sums from the people.

The Southern Pacific Company in 1870 procured the passage through the California Legislature of an act authorizing the voters of San Francisco to decide whether the city should grant a subsidy of \$1,000,000 to the company. When the election came off, some of us, thinking that the railroads had got about enough from the public, opposed and beat them at the poll; but what was our surprise when they demanded a recount by the canvassing board! Presto, change, they had carried a majority of the votes for the subsidy. But upon investigation it was so apparent that the returns had been opened and changed, that the railroad men—the penitentiary staring them in the face—abandoned their efforts to secure this million-dollar subsidy from the people of San Francisco. These two instances are evidence of their mode of operating.

These railroad speculators always become alarmed at the prospect of the election to office of any one whom they cannot control, from a supervisor to a governor or President. If they had earned their vast fortunes by legitimate means, they would certainly not be afraid of the election of honest men.

These people have controlled the Legislatures of the States through which their roads are located, and also the assessors and supervisors of the counties. And by these means they are relieved from the burden of their just proportion of the public dues. They pay no taxes on their enormous land grants, as patents are not taken out until they have made contracts for the sale of the lands. By these dishonest means they evade their liability to pay their just proportion of the public burdens. Their mode of influencing a public officer who has not been elected as their tool is to undermine his probity by gradual advances. If they think an officer can by any means be tempted to violate his duty, immediately after he is elected he is approached and sounded by their emissaries—for they keep up a corps of agents as well organized as that of Fouché under the first French empire—and if he is at all pliable he will be presented with a complimentary free pass over all their roads from San Francisco as far east as Omaha. If he happens to be a member of the legislative department of Government, he is accommodated with a special car.

This is only the beginning of the downward course, and it is not difficult to foretell what will follow; for a public officer is already half corrupt when he condescends to accept gratuities.

The president of the Central Pacific, Leland Stanford, as he has always done, remains in California with his corps of lobbyists to corrupt and manage the State Legislature. But this year, it is to be hoped, he will be foiled; for so far he has been defeated in the lower house, and he will probably meet with a similar disaster in the upper unless he succeeds in deluding three or four senators into the belief that he will make them governors or United States Senators in case they will maintain their allegiance to him.

The other partner in iniquity, the “lachrymose” Huntington, operates here in Washington with a corps of lobbyists in his train equal to that of an Indian nabob—men some of whom, I regret to say, have

held high positions here. This corps is supplemented by a band of lawyers, who are acting professionally, it is true, and who would be offended at the intimation that they are lobbyists; but it is hard to determine where the lawyer ends and the lobbyist begins.

However strenuous may be the denials, the Southern Pacific is undoubtedly the Central Pacific under another name and in another guise. A mere fraction of the Southern Pacific, it is true, may be owned by outside parties, who have recently been taken into the company, but only taken into the ring to do their dirty work and swearing, since the four "original Jacobs" have already sworn to such an extent that long since no one would believe them.

These railroad speculators have also organized a complete system of black-mailing. They invariably ask to be paid for running their roads through any town that may happen to lie near the projected line, and in case their demands are refused they threaten to locate the route some distance off, and start an opposition town on their own land and go into the "lot and hotel business." This they have done in numberless instances. In one case in Los Angeles County a gentleman who had a tract of land, through which the Southern Pacific was running their road, generously offered them the right of way and twenty acres for depot purposes. But this liberal offer was not satisfactory, and they demanded four square miles of his best land. Upon his refusal to comply with this very modest request, they set their satellites to work in the Departments here at Washington, and have succeeded in getting an order from the Secretary of the Interior instituting proceedings to vacate a patent regularly issued by Government officers over eight years ago. And they have also publicly boasted that they will get possession of half the rancho after they have succeeded in setting aside the title and patent. How indecent is it for such people to talk of fraud and corruption when the life-blood of their existence springs from such sources!

Under the unwise system of subsidizing corporations, the gift of land is, I think, tenfold less defensible than that of money. Land is a necessity for animal existence, and legislation which gives such vast domains to a few corporations must be destructive of the very highest interests of the people and Government.

Since 1861 there has been legislated into the hands of corporations a tract of nearly 235,000 square miles of territory—a domain larger than France or the German Empire, over five times greater than Pennsylvania, six times as large as Ohio, and three times larger than the island of Great Britain. This immense territory has been granted to five corporations, yielding to each one an average of more than the area of the Empire State.

One shudders involuntarily at the contemplation of such vast possessions being in the hands of five soulless corporations—possessions sufficient to support a population of forty millions. This land at \$2.50 per acre would produce the immense sum of \$275,000,000. What have we got in exchange for this spoliation of the people's patrimony? Three thousand miles of single-track railway run in the interest of these greedy speculators, without any restrictions as to charges for freights and fares. Say what you will, this is a robbery of the people's birthright, and it was criminal to have given it to these pampered favorites of the party that has controlled the Government for the last fifteen years. In addition to all this, the Government has given them \$65,000,000 of bonds for thirty years without the payment of interest as it becomes semi-annually due.

I now quote the following from Attorney-General Pierrepont's brief in the case of *The United States vs. The Union Pacific Railroad*:

At the end of thirty years the Government will have paid out three hundred and eighteen millions in interest alone, because it must be borne in mind that it is compounded every six months for the term of thirty years.

This is a fact proven by figures; and yet the Central Pacific, which will be indebted for half this amount, as owner of the Southern Pacific, has the audacity to ask for more land to build the road farther east to head off the Texas Pacific, thereby preventing the construction of a competing line and binding more firmly the shackles of steel upon the people of the western coast of the Republic.

As to the great evils that have grown out of this system of legislating the public lands and moneys into the hands of a few speculative corporations, I presume no one will doubt; and as a remedy to some extent, in my judgment, the House should pass bill No. 1033, which provides for the restoration to the public domain of all lands that have lapsed by reason of the non-fulfillment of the conditions of the grants, and forever put an absolute stop to any further concessions of public lands for any other than settlement and homestead purposes.

The construction of a competing line between the Atlantic and Pacific coasts is no doubt very desirable, and no one longs for it more than I do; and if this becomes an absolute necessity, in the name of common honesty do not, as in the past, give double the amount necessary in money and land to some grasping corporation to build the road to be used for private advantage and as another source of public corruption.

In my judgment it is the duty of Congress, and the nation demands it of us, to remedy these evils, and to wrest as far as possible from these public spoliators their ill-gotten gains. Their defenders, it is true, intrench themselves behind the statutes, but they may find that the law-makers are stronger than the law-interpreters. The very acts granting to the railroads these vast subsidies of land and moneys have made reservations that may be legitimately used to coerce them to observe a decent respect for the rights of the people and Government, the courts to the contrary notwithstanding. Let their directors attend to their duties to the country instead of hovering around these Halls and those of State Legislatures like birds of prey in order to retain what they have fraudulently acquired.

The directors of these roads must submit like other citizens to the laws; they must cease trying to be masters of the people, and must cease setting themselves above the Government, or ere long they will find a power greater than the courts that will resist their tyranny to the death—the power of the people, who in their anguish and might will rise and sweep them together with all their ill-gotten gains from the face of the earth.



